

Sherri Hull
Director
Governmental Affairs
Southwest Airlines Co.
1907 Rue de St. Tropez
Austin, Texas 78746



Members of the Colorado Senate Judiciary Committee –

I am writing on behalf of Southwest Airlines to let you know that Southwest and the airline industry oppose HB 25-1282. HB 25-1282 disrupts the delicate ecosystem in the credit card partnership arena that could be costly to tourism. One of the unintended consequences of this bill is related to the diminished value of credit card loyalty points.

Denver is Southwest's largest market in its system. And - Southwest employs approximately 7,000 Employees across our four cities served in Colorado contributing to the local and state tax base.

In 2024, over 1 million Colorado Southwest Chase Rapid Reward Customers booked almost 1 million points for travel. Of those trips booked, many award trips originated and ended in Colorado, contributing to local economy tourism dollars.

Without these programs, some people - who never fly Southwest but earn points through credit card purchase power - could not travel. In total, 18% of all Southwest award flights were booked by Colorado Rapid Reward Members.

Disrupting a delicate balance in credit card partnerships could be harmful to travel and tourism. At a time when costs are paramount in all decision processes regarding our product offerings, we ask you to consider opposing HB 25-1282 as it adds complexity and uncertainty to longstanding loyalty programs for our industry, Customers, and Colorado tourism.

Thank you,

Sherri Hull

Director, State and Local Governmental Affairs

Annette Aurora – Nelson Harvey

Chairman and members of the committee, thank you for the opportunity to speak today. My name is Nelson Harvey, and I am the co-owner of Annette Restaurant and Traveling Mercies Bar in Aurora. I'm here today to express my strong support for House Bill 25-1282, which would prevent credit card companies from charging processing fees on sales tax and tips.

Last year, my restaurant Annette paid \$72,000 in credit card fees, and my bar Traveling Mercies paid \$20,000 in credit card fees. For both businesses, these fees place a significant burden on our bottom line. This legislation would have saved us over \$15,000 at my restaurant and nearly \$5,000 at my bar—money that could have gone toward increasing wages, hiring more staff, or simply keeping up with rising food and labor costs.

Our profit margin last year was just 7%, which, while still a razor-thin operating margin, is slightly higher than the industry average for well-performing restaurants, which is between 3%-5%. For a little perspective when you hear from the other side, Visa's net income last year was \$19.7 billion dollars, a profit margin of 55%. Like many independent restaurants, we are facing relentless cost increases—higher food prices, higher rent, and higher wages. At the same time, we have no control over sales tax, and tips belong to our employees, not to us. Yet, credit card companies are taking a cut of both, siphoning money out of small businesses and workers' pockets for a service that provides them no additional value. At the same time, they are raking in billions of dollars in annual profits while small businesses like mine are struggling.

This bill is a common-sense measure that would put real money back into local businesses and the hands of restaurant workers, instead of padding the profits of multi-billion-dollar credit card companies. This bill will help Denver's vibrant and diverse dining scene survive during incredibly challenging times for the industry. I urge you to support it. Thank you for your time, and I'm happy to answer any questions.

Old 121 Brewhouse Lakewood - Katie Nicholson

Thank you, Madame Chair, and members of the Finance Committee, for allowing me the opportunity to testify today. My name is Katie Nicholson, and I am the owner of Old 121 Brewhouse in Lakewood. I am here today to express my support for House Bill 1282.

Old 121 Brewhouse opened its doors in 2019, and we have maintained a small but dedicated team of around seven employees each year. Our business is primarily a tasting room, with a small brewery. To give you some context, while the average brewery in Colorado operates with a 10-barrel system, which produces around 20 kegs per batch, we operate with a 3-barrel system, producing just 5 kegs per batch. While we may be small, every drop of beer and every dollar matters to us.

Last year, we paid around \$14,000 in credit card processing fees at a rate of 4%. Of that, \$3,000 was spent on unnecessary processing fees that were applied to taxes for the government and tips for our staff. These charges are a passthrough for us—we don't keep the taxes or the tips, so why are we expected to pay processing fees on top of them?

This is problematic for several reasons. First, tips are a direct form of compensation for our employees, and processing fees on tips reduce the amount of money they actually receive. Our staff works hard to provide excellent service, and their tips are part of their earned income, so adding a processing fee on top of those tips is essentially taking away from their hard-earned wages. We as a business absorb that cost and do not pass it along to our staff. This is a choice we've made to ensure our team is properly compensated, but it also highlights the financial strain that these unnecessary processing fees create.

Second, taxes are, of course, not money that we as a business get to keep. These are amounts collected on behalf of the state and local governments. So, charging processing fees on taxes essentially amounts to charging a fee on money that isn't even ours—it's being passed directly to the government. This adds unnecessary and unfair financial burden to our business, and ultimately, it increases the cost to the consumer.

Let's consider a single beer sale. We charge \$7 for the beer, plus \$0.53 for Lakewood's tax, and an average 20% tip, which totals \$8.93. With the 3.5% credit card processing fee, the total cost to the customer becomes \$9.28. In the service industry we are dealing with exponentially rising costs for us to do business and many of us have already raised prices over the past couple of years. Reducing tax on the credit card processing fee will help ease an unnecessary burden put on our business that we can reinvest in our staff, our products, and our day-to-day operations.

Last St. Patrick's Day weekend, we sold 950 beers at this inflated processing rate, which resulted in an additional \$75 in unnecessary processing fees. While this may not seem like much, for a small business like ours, every dollar counts, and these additional costs quickly add up.

The bottom line is that charging processing fees on tips and taxes is not only unfair to our staff and customers, but it also burdens small businesses like ours with unnecessary costs. I urge you to vote in support of House Bill 1282 and help alleviate this financial strain on small breweries and businesses across Colorado. Thank you for your time.

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The bottom line is that charging processing fees on tips and taxes is not only unfair to our staff and customers, but it also burdens small businesses like ours with unnecessary costs. I urge you to vote in support of House Bill 1282 and help alleviate this financial strain on small breweries and businesses across Colorado. Thank you for your time.

Hinman Pie Denver – John Hinman

Good afternoon, Chair and members of the committee. My name is John Hinman, and I own Hinman Pie, a small bakery in Denver. I appreciate the opportunity to speak with you today in support of House Bill 1282 – the Swipe Fee Fairness and Consumer Safeguards Act.

Seven years ago, when I started selling pies at the farmers market, a 9-inch apple pie cost \$22. Today, I have to charge \$58—not because my costs have tripled, but because of "convenience fees" stacked on every part of my business.

Credit card companies, like Square, charge 2.6% plus 10 cents per swipe. That might sound small, but that's just the beginning. To actually run my business, I have to pay for add-ons within the Square app, along with a monthly fee of about \$80. Those fees add up, cutting into already tight margins and making it harder for small businesses to survive.

Last year alone, Hinman Pie paid \$6,321 in credit card fees. To put that into perspective, a brand-new Square cash register costs \$399. That means instead of simply having one register for my business—the way any normal operation should—I effectively bought and threw away 15 cash registers last year just to cover fees.

I invite any of you to stand at my booth, look a customer in the eye, and say, "That'll be \$58" for a simple apple pie—knowing in the back of your mind that out of eight slices, Hinman Pie only keeps three. The rest? It goes to labor, ingredients, transaction fees, advertising costs, rent, insurance, and every other rising expense that small businesses face.

Selling an apple pie in America for \$58 is not American. Period.

Beyond the credit card fees, small businesses like mine are getting squeezed from all sides. The current federal administration's decision to gut consumer protection agencies and reduce funding for food assistance programs like SNAP has a direct impact on my business. When fewer people can afford to eat, when families have less support, small businesses like mine suffer too. These decisions don't just hurt individuals—they hurt local economies, forcing more of us to raise prices or close shop entirely.

At Hinman Pie, we believe that "Pies have no Sides" and "Pie for All. All for Pie." We strive to be more than just a bakery; we aim to be a cornerstone of our community. Last Thanksgiving, we partnered with Red Rocks Elementary School to raise funds to send a class to Washington, D.C., to see how our government works. Through pie sales, we raised enough money to make that educational trip a reality for those students.

House Bill 1282 will remove swipe fees from sales tax and tips—dollars that were never ours to begin with. This simple, common-sense change ensures that when you tip a server

or pay your state taxes, that money goes where it belongs—not into the pockets of massive financial institutions.

Colorado's small businesses need this bill to pass. We need a fair playing field. I urge you to support HB 1282 and stand with the small business owners who make our communities stronger.

Thank you for your time.

COPERTA DENVER – AILEEN REILLY

My name is Aileen Reilly, and I'm the owner of Coperta, a small, independently-family owned restaurant in downtown Denver.

At today's testimony you will continue to hear that running a restaurant has never been easy, but in today's environment, it's harder than ever. We're dealing with rising food and beverage prices, labor costs, and inflation—all while credit card companies keep skimming more off the top.

Right now, we're forced to pay interchange fees on money that isn't even ours—sales tax that goes to the government and tips that go to our hardworking staff. These are real dollars that can be reinvested in my team and my business.

Last year alone, my restaurant paid over \$61,000 in swipe fees. This includes paying on sales tax and tips. To put that in perspective for my size small business, that is only \$6k less than what we purchased in beer, wine and liquor for an entire year, the product that generates sales.

Since 2021 our swipe fees have increased by over \$26,000 and almost 1.3% in the last year, when our sales went down.

HB25-1282 is a simple fix—it stops credit card companies from charging predatory fees on sales tax and gratuities, ensuring that the money stays where it belongs. Small businesses like mine need relief, not fees that continue to increase year after year and act as an inflation multiplier,

I urge lawmakers to stand with Colorado's local businesses and pass this bill.

Thank you.

MELTING POT LITTLETON- ANTHONY WHEELER

Dear Chairwoman and Members of the Senate Judiciary Committee,

My name is Anthony Wheeler, and I'm the proud owner of The Melting Pot in Littleton. Like many small, locally owned restaurants across our state, we operate on incredibly tight margins. Every dollar counts. That's why I'm speaking up today—because this legislation would provide real, measurable relief to restaurants like mine.

In February of 2025 alone, had this legislation been in effect, The Melting Pot in Littleton would have saved \$3,000. That's not a small figure for a single month—it's payroll for a part-time employee, it's covering rising food costs, or it's one more piece of breathing room in a difficult industry. And we are just one restaurant. Multiply that across Colorado's hospitality industry, and the savings are massive.

When interchange fees are applied not just to the cost of the meal, but also to sales tax and gratuities, it means small businesses are paying processing fees on money that never belonged to us in the first place. Sales tax goes directly to the government. Gratuity is earned by our staff. Yet we're footing the bill for those charges—and in a business like ours where tipping is customary and tax is required, that adds up quickly.

This is an issue of basic fairness. Our restaurant has no control over sales tax rates. We encourage gratuity because we want to support a strong team. But we shouldn't be penalized for those things. We shouldn't be forced to absorb costs on pass-through dollars.

HB25-1282 is a commonsense measure that protects small businesses, supports our employees, and ensures that credit card companies are not profiting off of taxes and tips. Colorado has the chance to lead here—to be a model for other states grappling with this same issue.

I urge you to vote yes on HB25-1282 and stand with Colorado's small business community.

Thank you for your time and consideration.

LUCIO FAMILY OF RESTAURANTS- BRENDA LUCIO

Chairwoman Gonzales and Members of the Senate Judiciary Committee:

My name is Brenda Lucio, and I am the co-owner of the Lucio Family of Restaurants, which I proudly operate alongside my husband and our son. Our family has poured heart, soul, and decades of hard work into building a group of restaurants that serve communities across Northern Colorado—and now also in Denver.

I'm writing to you today to express our strong support for House Bill 25-1282, which would prohibit credit card companies from charging interchange fees on sales tax and gratuity—fees that are eating away at the backbone of our industry.

Across our restaurant group, we paid \$145,000 last year just in interchange fees on sales tax and gratuity. Let that sink in. That's not the cost of doing business—it's the cost of a system that's fundamentally unfair. We are being charged fees on money that never belonged to us in the first place. Sales tax goes directly to the state. Gratuities go to our employees. But somehow, restaurants like ours are expected to cover the cost of processing these pass-through dollars.

That \$145,000 could have gone toward raising wages, improving benefits, upgrading equipment, or expanding career opportunities for our staff. Instead, it went into the pockets of credit card companies—on top of the already steep interchange fees they charge on the actual cost of the meal.

HB25-1282 is not a handout—it's a correction. It ensures that small, family-owned restaurants like ours are not forced to subsidize massive financial institutions. It's about fairness, and it's about keeping dollars in our local communities where they belong.

We urge you to support this legislation and stand with Colorado's restaurant operators—many of whom are family-owned, community-driven, and doing everything we can to stay afloat in a challenging economic climate.

Please vote yes on HB25-1282. Thank you.

Sage Hospitality Testimony in Support of HB 25-1282

Chair and members of the Committee, thank you for the opportunity to testify today. My name is Jennifer Boyce-Heller, and I am here on behalf of Sage Hospitality Group, which manages over 30 restaurants, bars, and coffee shops in Denver. We take pride in delivering exceptional dining experiences, supporting our local communities, and employing hundreds of Coloradans.

However, like many restaurants, we are facing unprecedented financial pressures. Labor costs continue to rise, food prices are skyrocketing, inflation remains persistent and rent in Denver keeps increasing. On top of these challenges, we are burdened with excessive, non-negotiable credit card processing fees—so-called “interchange fees.” These fees generate enormous profits for big banks and credit card companies like Visa and Mastercard, while businesses like ours are left with yet another cost we cannot control.

Restaurants, particularly small and independent ones, are among the hardest hit. We already operate on razor-thin margins—sometimes just a few cents on the dollar—yet we are subject to some of the highest swipe fees in the world with no ability to negotiate fair terms. These fees are largely invisible to customers, but for us, they add up to tens—if not hundreds—of thousands of dollars each year. This is money that could otherwise be reinvested in our employees’ wages, benefits, or simply keeping our doors open. In 2024 alone, Sage Hospitality’s food and beverage establishments paid \$1.2M in total swipe fees, including \$275,000 in fees on sales tax and tips—charges that should not be subject to these fees in the first place.

House Bill 25-1282 is a commonsense solution to bring fairness and transparency to an unfair and predatory fee system. It will provide small businesses and restaurants with much-needed flexibility in managing these unavoidable costs. Passing this bill is not just about financial relief—it’s about ensuring that local businesses can continue to serve their communities, create jobs, and contribute to Colorado’s economy.

We respectfully urge your support for HB 25-1282. Thank you for your time and consideration.

**TESTIMONY OF DOUG KANTOR
GENERAL COUNSEL, NATIONAL ASSOCIATION OF CONVENIENCE STORES
BEFORE THE
COLORADO SENATE COMMITTEE ON THE JUDICIARY
APRIL 14, 2025**

Thank you for providing me with the opportunity to testify on the swipe fees that are imposed by the credit card industry on merchants and the Swipe Fee Fairness and Consumer Safeguards Act, HB 1282. Most consumers are not aware of swipe fees and do not see the inflationary effects they create on the cost of goods and services and the U.S. economy, but those effects are dramatic. For merchants, these excessive and ever-increasing fees are a constant source of stress and financial difficulty, and for consumers these fees contribute significantly to inflation. In fact, swipe fees reduce efficiency across the economy.

I am testifying today on behalf of my association, the National Association of Convenience Stores (NACS) and the Colorado Wyoming Petroleum Marketers Association (CWPMA). NACS is an international trade association representing the interests of the convenience industry. CWPMA represents the convenience and petroleum marketing industry in the states of Colorado and Wyoming and the two organizations regularly collaborate on issues of interest to our joint members and advocacy efforts. In Colorado, the industry includes nearly 2,500 stores employing nearly 40,000 people and collects more than \$3.3 billion in taxes.

Throughout the nation, the industry includes more than 150,000 stores employing 2.44 million people. It is truly an industry of small business with a full 60 percent of the industry comprised of single-store operators. The industry handles about 165 million transactions in total each day – a number equivalent to about half of the U.S. population. An efficient and competitive payment system is critical to the health of the industry, its employees, and its customers.

The Problems with the Credit Card Industry’s Swipe Fees

The credit and debit card systems in the United States are burdened by anti-competitive conduct that makes the systems less efficient and effective than they should be. Two payment card networks, Visa and Mastercard, dominate the market and bring together thousands of card-issuing banks across the nation to wield market power in ways that harm competition in the marketplace. Merchants have no realistic options to refuse to take cards controlled by the dominant networks and virtually all the banks that are their members. With very few exceptions, merchants must accept all credit and debit cards that run over those two networks no matter how high the fees the networks charge and no matter how onerous the rules and conditions they impose. The high fees that result from this exercise in market power inflate the costs of goods and services across the nation in a way that harms consumers.

It does not have to be this way. The rates that Americans pay on credit card swipe fees are the highest in the industrialized world – and it’s not close. The Colorado legislature, however, can act to change that by passing Swipe Fee Fairness and Consumer Safeguards Act.

To understand the harm created by swipe fees and how Colorado can help deal with it, it helps to understand the current problems.

The problems in this market have developed because Visa and Mastercard centrally set the fee rates for the largest portion of swipe fees, known as interchange fees. These are fees typically ranging from 2 to 3 percent of the transaction amount that card-issuing banks charge to merchants each time a Visa or Mastercard card is used. But the banks that receive the fees don't set the fees - they let Visa and Mastercard fix fee rates on their behalf. Because the banks' fees are centrally set in this way, the banks don't compete on price. That leads to problems that are common for anti-competitive arrangements – high and escalating prices and neglect of key aspects of the service (such as protection against fraud). Visa and Mastercard also dictate a complex set of terms (called network rules) that govern how credit card transactions happen. These terms further insulate swipe fees from competitive market pressures and, in most cases, keep the fees confusing for merchants and hidden from consumers.

In particular, by imposing an “honor all cards” rule that requires a merchant to accept all cards issued with a Visa (or Mastercard) logo if the merchant wants to accept any cards carrying those networks' logos, the two largest networks remove the incentives for banks to negotiate with merchants on price or acceptance of their cards – and remove almost all bargaining power that merchants otherwise might have had. This is a central element of the credit and debit card systems in the United States today. In effect, Visa and Mastercard have created cartels that control prices and terms to the detriment of merchants and consumers.

The extent of the anticompetitive problems created by this structure was recently highlighted by the U.S. Department of Justice (DOJ) in the lawsuit it filed against Visa.¹ While that case only covered debit cards, a story in the Wall Street Journal made clear that Visa's anticompetitive actions also negatively impacted the credit card market.²

The problems caused by all this for consumers, merchants and the economy are immense. Total card swipe fees imposed on merchants were \$187 billion in 2024³– up from \$64 billion in 2010. Of that total, \$111.2 billion were interchange fees for Visa and Mastercard branded credit cards.⁴ Visa and Mastercard also collected swipe fees called network fees for themselves that in 2023 totaled \$10.9 billion on credit cards and \$8.3 billion on debit cards.⁵ In Colorado alone, merchants and their customers paid more than \$4.2 billion in credit and debit card swipe fees in 2024. That is a huge drain on Colorado families who paid more for goods and services last year in the amount of nearly \$1,200 per family.

The size of swipe fees and the fact that they are set largely as a percentage of transaction amounts means that they are an inflation multiplier; as inflation goes up the amount of fees

¹ U.S. v. Visa, Complaint (Sept. 24, 2024) (available at [dl](#)).

² “Visa Wanted a Vast Empire. First, It Had to Beat Back Its Foes.” By Annamaria Andriotis, The Wall Street Journal (Oct. 19, 2024) (available at [Visa Wanted a Vast Empire. First, It Had to Beat Back Its Foes. - WSJ](#)).

³ The Nilson Report, March 2025 (available at [1282 - Nilson Report](#)).

⁴ The Nilson Report, March 2024 (available at [1282 - Nilson Report](#)).

⁵ CMSPI-IAC State of the Industry Report (Sept. 2024) at 19 (available at [State of the Industry Report | CMSPI Global](#)).

collected goes up with it, which forces retailers to further raise prices to cover the increased fees. This inflates what all consumers pay.

The roles played by the two dominant card networks and the fees and terms they set cause other problems as well by reducing incentives for innovation in new payment products and improvements in services such as fraud protection. The United States should have the most efficient, effective and innovative payment system in the world, but we don't. Instead, as revealed by the Justice Department and the Wall Street Journal, we actually have a dominant payment network -Visa- actively holding back innovation in the market through pay-offs and manipulative fee practices. This market desperately needs changes so that there are competitive market forces that improve payments for everyone.

The Benefits of the Swipe Fee Fairness and Consumer Safeguards Act

The Swipe Fee Fairness and Consumer Safeguards Act would correct these problems in the state of Colorado. It would finally make clear that credit card networks cannot manipulate the market in ways that are fundamentally at odds with our system of free market capitalism and competition. Specifically, the bill would prevent Visa and Mastercard or any other credit card network from setting the interchange fee prices of the largest banks in the nation – those with more than \$50 billion in assets. No bank chartered in the state of Colorado is that big.⁶

The bill would also prohibit those credit card networks from creating leverage that prevents any merchant from being able to negotiate better rates with the large banks. That would mean that the largest 40 or so banks in the nation would need to make sure they offered rates that merchants in Colorado were willing to accept – without presenting an all or nothing blockade that would prevent those merchants from taking any credit cards at all if they don't like one bank's prices.

Those changes are incredibly significant and would allow a free market to take the place of the cartel structure that Visa and Mastercard have imposed to date. The benefits would inure to Main Street Colorado businesses and their customers who are burdened by the weight of those \$4.2 billion in swipe fees today.

In addition, because the largest part of swipe fees are charged as a percentage of the transaction amount, swipe fees are especially problematic for the portions of transactions that merchants do not keep – taxes and tips. For both taxes and tips, merchants are obligated to give those funds to someone else, either the state/local government or the tipped worker. But, the credit card industry swipes a big chunk of that money before the merchant can give it to anyone. That means merchants must go into their own pockets to make up the shortfall to make the government or their employees whole. That simply is not fair.

HB 1282 would address precisely this injustice as well. It would prohibit the credit card industry from taking swipe fees out of the tax or tip portion of a transaction. That would deal with one of the most egregious swipe fee injustices that Main Street merchants face – the

⁶ "Federal Reserve Statistical Release: Large Commercial Banks," Federal Reserve Board (Dec. 31, 2024) (available at [FRB: Large Commercial Banks-- December 31, 2024](#)).

financial penalty they take simply by doing a service for the government or their employees through collecting taxes or tips on their behalf. Main Street did not ask to be the tax collector for the state. They are required to do that. They should not face a financial penalty from the credit card industry for performing that service.

And that financial penalty is not a small one. In Colorado, the swipe fees that the card industry takes from merchants just on the sales tax amounts of transactions alone is \$206 million per year.⁷ Those funds inflate prices that every Coloradan pays and punish Colorado merchants who must go into their own pockets to make up for the tax revenue taken by the credit card industry that the merchants are still legally obligated to provide to the state.

An analogy may be helpful here. The Colorado Department of Revenue employs people to do the job of collecting taxes for the state. This is a necessary function and similar to what merchants do for the state on taxes they collect. If the credit card industry imposed a special fee that took away part of the salaries of Colorado Department of Revenue employees, we would all be outraged that they would penalize those employees for doing their duty. We would expect legislation to quickly prohibit such a fee. We expect it would pass overwhelmingly.

That is effectively what happens with the credit card industry's swipe fees on the tax amount of transactions in Colorado. It hits stores that collect taxes for the state and hits them harder if they collect more taxes for the state. This needs to stop, as does the similar penalty that swipe fees impose on tips that merchants collect for their workers.

Objections to the Bill Are Misleading

The credit card industry's objections to the HB 1282 deny reality. While the industry claims that they must charge swipe fees on taxes and tips, that is not the case. The tax and tip amounts are both part of the data flow in card transactions. The tax amount is included in what is referred to as "level 2" or "track 2" data. In fact, for many transaction flows, card processors must add the sales tax amount to the amount of the underlying good or service in order to arrive at the total and apply the swipe fee formula to it. HB 1282 would actually save them that step. The tip amount is also part of the transaction data flow, as the underlying amount is communicated in an initial authorization and then the amount plus the tip is communicated through the settlement process.

The clearest giveaway of the fact that the card industry is not telling the whole story on this point is that the card networks collect sales tax data and then try to sell the data back to merchants (Visa has called this service "IntelliLink" and now refers to it as "Visa Spend Clarity").⁸ This service includes "Local tax support including VAT and GST". And when Visa tried to sell merchants this data, they have claimed that there was "no special hardware or software required." So, the bottom line is that if handling sales tax data drives revenue for Visa,

⁷ CMSPI, [How much interchange was paid on sales tax in the U.S.?](#)

⁸The former web address for it was at: <https://usa.visa.com/run-your-business/commercial-solutions/solutions/intellilink.html>. Since this service was referenced in previous hearings, Visa has changed the page to remove specific references to the tax data they provide.

distinguishing this data is easy to do. But, if it gives merchants a break, the card industry suddenly claims that it becomes impossible. Obviously, that isn't credible.

The other reason that these card industry objections aren't credible is the flexibility built into HB 1282. The bill provides that if the data communicated at the time of sale cannot allow the interchange fees to be applied only to the underlying amount, and not taxes or tips, then the merchant can provide the tax and tip information later and get a reimbursement.

An after-the-fact reimbursement is not difficult. In fact, the credit card companies facilitate a number of after-the-fact processes to change figures on the final settlement. The largest of those processes is referred to as a chargeback and that allows the card companies to take away 100% of the sale amount from a merchant based on fraud or another transaction-related dispute. Chargebacks can take funds from a merchant several months after the transaction and have become so common that merchants actually pay for more card fraud today than the credit card companies or banks.

With billions of dollars currently flowing out of merchants' bank accounts weeks or months after the transaction as chargebacks, it is clear that the card industry could allow merchant reimbursement of fees charged on taxes and tips as well. Apparently, their only real objection to doing that isn't that it would be hard to do (because it would simply mirror what they already do today), but that doing so would benefit merchants rather than themselves.

And, those fraud chargebacks demonstrate the emptiness of the other primary objection from the card industry. The industry claims that they must charge fees on tax and tip amounts because they say that banks bear the fraud risk on those amounts. The reality is that merchants shoulder more of the fraud risk than banks. The Federal Reserve collects data on debit card fraud every two years, and in its most recent data, the Fed determined that merchants covered 47 percent of debit card fraud and card issuing banks covered 33.5 percent.⁹ The numbers show that the card industry does not need fees on taxes and tips to cover fraud. If fraud were the primary issue, they should be sending fees to merchants, not the other way around.

The card industry also frequently points to a court case in Illinois in which the banking industry has challenged a law passed in that state. While the card industry is fond of claiming that the case shows the Illinois law is preempted by federal law, that is incorrect.

The Illinois court has only dealt with the question of whether it should pause application of the state law while the case is going forward to ensure that full consideration and a decision happen in the case before any business might be impacted. What the court has said so far is that Visa and Mastercard and Illinois banks and credit unions are all fully subject to the law and there is no need even to pause things for the court to hear the case with respect to those businesses. So, the Illinois law is going forward in July of this year – exactly the timeframe specified in its law.

⁹ "2021 Interchange Fee Revenue, Covered Issuer Costs, and Covered Issuer and Merchant Fraud Losses Related to Debit Card Transactions," Board of Governors of the Federal Reserve System (Oct. 2023) at 3, available at [Federal Reserve Board Publication](#). The remaining fraud was covered by cardholders.

The court did say that for national banks and out-of-state banks it would pause the law’s application while the case is litigated. That part of the decision, however, is form over substance. Because Visa and Mastercard control every aspect of the system – from banks’ pricing of interchange fees to the terms under which cards are processed – they are the only entities needed to ensure the law goes forward with respect to all transactions on Visa and Mastercard cards.

We know this in part because the banking trades that brought the case have admitted it. They submitted to the court an expert report on March 17th from a payments management consultant, Anthony Hayes, which says that if Visa and Mastercard need to comply with the law, then the law will have its intended effect of not allowing interchange fees to be charged on taxes and tips. To the extent that the banking industry claims the opposite when testifying in Colorado, they are contradicting their own expert.

Why is the banking industry’s expert right on that point? Well, both Visa and Mastercard regularly dictate each small detail of how these transactions happen and regularly maintain different rules for different states and regions. They do things that are much more detailed and complex than what HB 1282 or the Illinois law would require. They are so detailed that Visa’s “Core” rules run 939 pages¹⁰ and Mastercard’s transaction processing rules run 397 pages.¹¹ And, those are not their only requirements for how card transactions must happen today.¹² HB 1282 would add relatively small details to the system Visa and Mastercard have already created. Given that Visa and Mastercard are not banks and will be subject to the Illinois law and HB 1282, all they need to do is say that taxes and tips will no longer be charged – and that’s what will happen. It would be hard for any reasonable person to read their mountain of rules and conclude that the bill’s changes are more complicated than what they already dictate.

The bottom line is that banks hide behind Visa and Mastercard by handing them the power to set banks’ prices and the terms of card transactions. Visa and Mastercard should not be able to hide behind banks when it comes to the application of the law, yet that is just what they are trying to do. We ask you not to let them get away with that.

* * *

The credit card industry does not compete on price or service like other industries. Without basic competition, the entire system is rigged to extract as much money as possible from Main Street and its customers – without those customers even knowing how they are being fleeced. And, swiping part of the tax and tip amounts from Main Street businesses before they have a chance to give those funds to state and local governments or employees is unfair and wrong. Main Street should not be penalized for performing those services, but they are today.

We urge you to pass HB 1282 and correct these injustices.

¹⁰ [Visa Core Rules and Visa Product and Service Rules](#)

¹¹ [Transaction Processing Rules](#)

¹² Visa also has a merchant data handbook, separate rules for debit transactions using Interlink and more. [Visa Rules and Policy | Visa](#). Mastercard has separate security rules, a chargeback guide, and more. [Mastercard Rules for Merchants | Customer Compliance Program](#)

April 14, 2025

**The Honorable Julie Gonzales
Chair of the Senate Committee on Judiciary
Colorado State Capitol
200 E Colfax, Denver, CO 80203**

Re: ETA Opposition to HB25-1282

Dear Chair Gonzales, Vice Chair Weissman, and Distinguished Members of the Committee,

On behalf of the Electronic Transactions Association (ETA), the leading trade association representing the payments industry, I appreciate the opportunity to express our concerns regarding HB25-1282. Collectively, ETA members process \$52 trillion annually, operating within an efficient and effective payments system. Significant changes, such as those required by HB25-1282, are unworkable and illegal, and pose risks to innovation and system security.

The unworkable nature of the proposal is emphasized by the fact that over 60 similar proposals to prohibit interchange on the sales tax portion of electronic transactions have been considered between 2006 and 2024 and all but one has failed to pass their respective state legislature. Examples from other states are outlined further below. The unintended consequences of such a policy change are not fully known but will clearly harm consumers and small businesses. If there are any monetary benefit, it will only accrue to large retailers.

The Bill is Preempted by Federal Law: As a federal district court recently found when considering an analogous statute, restrictions on the national banks that issue credit cards are preempted by federal law. There, as here, the statute prevented issuing banks from receiving interchange payment on the tax and gratuity portion of purchases. Because the National Bank Act allows them to do, the statute is preempted.

Although this bill attempts to draft around that court's decision, it fails. Although it purports to only prevent card networks from charging interchange, because of the way the payments system operates that, in fact, prevents national banks from receiving the interchange. Because that outcome is preempted by the National Bank Act, HB25-1282 is preempted by federal law.

The Bill Would Harm Consumers: There are numerous ways in which HB25-1282 would harm consumers:

- **Impact to Rewards:** Consumers risk losing valuable benefits, such as airline miles, cashback, and loyalty program rewards, which are funded in part by interchange fees.
- **Loss of Privacy:** Implementing HB25-1282 would mandate the acquisition and storage of detailed transaction data, including SKU-level information, by the payments industry. This level of granularity, currently not collected, raises significant privacy concerns for consumers. Each transaction would need to be itemized and audited to ensure compliance with state and local tax requirements, eroding the privacy of individual purchases.
- **Service Disruptions:** Consumers would experience immediate inconveniences and inefficiencies resulting from the disruption of an otherwise efficient and secure payments ecosystem.
- **Checkout Complications:** Consumers may face challenges such as:
 - Inability to use their card for certain transactions.
 - Requirement to pay taxes separately, potentially in cash.
 - Slower checkout times and reduced satisfaction, particularly for purchases with varying tax rates (e.g., groceries)
 -
- Although proponents of HB25-1282 argue that removing sales tax from interchange fees would save consumers money, in fact the opposite is likely. There will be significant costs associated with implementation—such as compliance and technology updates—which are likely to flow directly to consumers through increased prices.

Small Businesses Will be Harmed: The challenge of attempting to comply with this bills' requirements will be felt most acutely by small merchants who would need new software and, in most cases, new hardware, requiring a significant investment in order to comply. The ability for small businesses to offer a multitude of payment options is critical to their ability to compete with big-box retailers, give their customers the options they desire, and remain flexible in times of crisis. The state's small businesses would need to spend hundreds of dollars for equipment, testing and reprogramming to comply – time and money that they simply can't afford – dwarfing any reduction in interchange.

- **Administrative Costs:** Compliance would require new processes, increased audits, and extensive employee training, further straining small businesses financially and operationally.
- **New Technology:** The current interchange fee model is based on the final purchase amount, without specific data on goods, services, or applicable tax rates. While payment networks have developed advanced tools to aid merchants such as POS systems that calculate and apply tax rates for specialty item HB25-1282 would require entirely new technology and new separate Colorado based payment network separated from the global payment network to capture state sales tax, gratuity amounts, and itemized receipt data.
- **Out-of-State Transactions:** Small businesses would also face additional challenges developing systems to accommodate transactions originating from outside the state.

- **Benefits of Interchange:** Currently, interchange fees support fraud detection and prevention, ensure system reliability, and provide access to critical services that drive customer convenience and satisfaction.
- **Rate Determination:** Interchange rates are market-driven, competitive, and negotiable, enabling businesses to secure terms suited to their needs. Over time, competition has naturally lowered interchange costs, ensuring affordability while supporting the infrastructure necessary for a robust and secure payment system.

Impact to Local Banks and Credit Unions: HB25-1282 would hurt Colorado chartered banks and credit unions by limiting the amount they can charge to process credit and debit card transactions. The recent federal court decision referenced above resulted in approximately 90% of credit card transactions being excluded from the scope of these legislative bills. The court also held that state-chartered banks and credit unions must comply with the Illinois law, however, putting them at unique disadvantage – a disadvantage these small local institutions cannot afford.

As noted above, other than Illinois every other state to have considered this policy has rejected it. Some recent consideration examples include:

- **Arizona Voted Against:** The Arizona House of Representatives recently rejected a bill with similar language on March 6th. The bill HB 2629 also would also have prohibited interchange from being collected on the sales tax portion of a transaction.
- **Illinois Federally Preempted:** Illinois is the only state to pass similar legislative language during the late-night closing hours of its 2024 session. A lawsuit filed by the Illinois Bankers Association and the Illinois Credit Union Leagues resulted in a preliminary injunction on the basis that federal banking laws preempt the Illinois law. Based on the ruling, 90% of transactions are excluded from application of the law. Experts estimate compliance costs ranging from hundreds of millions to \$10 billion, requiring years to develop new technologies and encourage adoption.
- **Georgia & Tennessee Study Commissions:** In 2024, a **Georgia** House of Representatives study commission, and the **Tennessee** Advisory Commission on Intergovernmental Relations (TACIR) were each tasked with studying the costs associated with interchange fees on tax portions of transactions. After thorough analysis, both the Georgia Committee and TACIR recommended reforming its vendor compensation program rather than removing interchange fees from the sales tax portion of transactions.
- **States Considering & Rejecting Interchange Legislation:** In 2025, similar bills were introduced in **Washington, Idaho, New Mexico, Georgia, Oklahoma, and Maryland**, all of which failed.

Conclusion: The creation of a Colorado based payment network separated from the global payment network under the requirements of HB25-1282 would have significant adverse effects on both small businesses and consumers. Small business owners would face substantial financial and operational burdens to comply with the new mandates,

while consumers would likely bear the cost of these changes through increased prices and diminished benefits.

* * *

We appreciate you taking the time to consider this important issue. More information on the payments system is located on the next page. If you have any questions or wish to discuss further, please contact me.

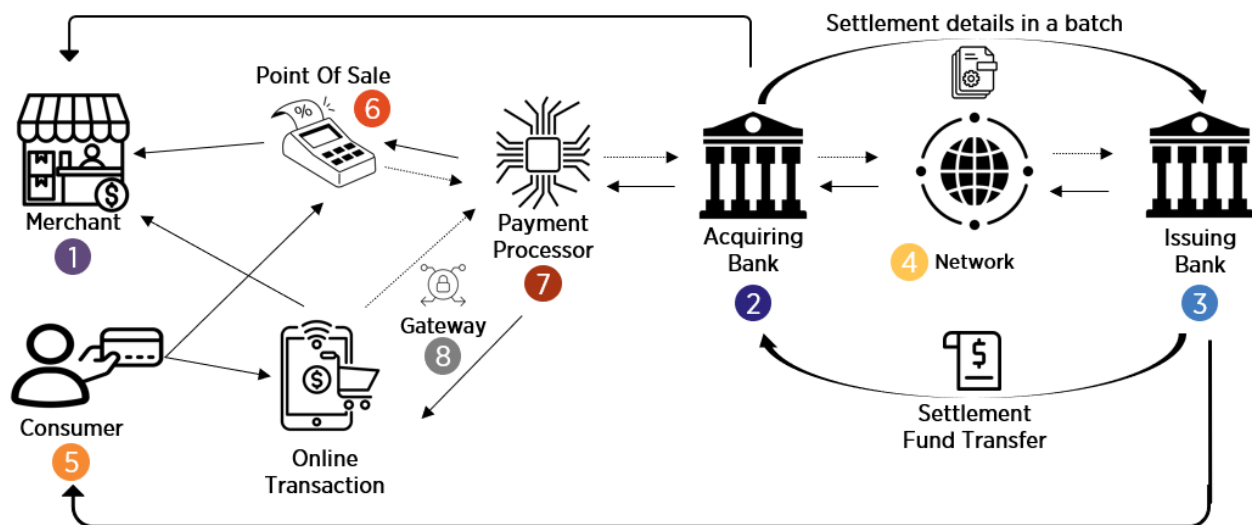
Respectfully,



Brian Yates
Senior Director, State Government Relations
Electronic Transactions Association
202.677.7417 | byates@electran.org

Overview of The Payments Ecosystem

Summary: The payments industry has remained at the forefront of developing innovative payment technology, providing merchants and consumers with safety, security, speed, and ease for transacting electronic payments, not to mention increasingly numerous options for doing so. These developments are a result of many stakeholders acting seamlessly and in unison across a complex ecosystem that processes payments. Each of the stakeholders below provides valuable and essential services to merchants and/or consumers.



- 1 **Merchants:** provide goods or services and agree to accept credit and/or debit cards according to their merchant and processing agreements with their acquirer; receive payment details through point of sale systems, or online; when a merchant makes a sale using a customer's electronic payment card, the system that processes the transaction recognizes only the final purchase amount on which interchange is based.
- 2 **Merchant acquirers:** provide access to payment networks and presents transaction information from merchants to payment networks.
- 3 **Issuing entities:** financial institution or commercial entity that provides consumers with a payment instrument (such as a credit or debit card).
- 4 **Payment networks:** exchange data between card issuing entities and merchant acquiring entities and settles payments.
- 5 **Consumers:** hold payment instruments and participate in the marketplace.
- 6 **Point of Sale (POS) systems:** electronic equipment used for pricing and recording transactions, which can be in the form of software, hardware, or combination; these systems DO NOT provide detailed transaction information, (e.g., items bought, tax rate), to neither acquirers or card networks.
- 7 **Processors:** provide payment processing across the payment network; may be an acquirer, and may, in some cases, serve both the acquiring and issuing sides of a transaction.
- 8 **Gateways:** an internet-based service that transports credit card information from a computer terminal or website to a credit card processor.



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April 14, 2025

The Honorable Julie Gonzales
Chair
Judiciary Committee
Colorado State Senate
200 E. Colfax Avenue
Denver, CO 80202

**Re: HB25-1282, Payment Card Network Practices & Fees, TechNet
Opposition**

Dear Chair Gonzales and the Honorable Members of the Senate Judiciary Committee:

I write on behalf of TechNet and its members to share our continued concerns with HB25-1282, which would enact the "Swipe Fee Fairness and Consumer Safeguards Act," and regulate interchange fees.

TechNet is the national, bipartisan network of technology CEOs and senior executives that promotes the growth of the innovation economy by advocating a targeted policy agenda at the federal and 50-state level. TechNet's diverse membership includes dynamic American businesses ranging from startups to the most iconic companies on the planet and represents over 4.5 million employees and countless customers in the fields of information technology, artificial intelligence, e-commerce, the sharing and gig economies, advanced energy, transportation, cybersecurity, venture capital, and finance. TechNet has offices in Austin, Boston, Chicago, Denver, Harrisburg, Olympia, Sacramento, Silicon Valley, Tallahassee, and Washington, D.C.

TechNet promotes the banking and financial technology sectors by removing regulatory barriers to financial access and literacy, economic growth, and job creation. We support innovation in the banking and fintech sectors by encouraging state policymakers to ensure the regulatory system remains technology neutral and regulates new technologies, including digital currencies and alternative banking, using a balanced approach that encourages fair competition.

There are many reasons why HB25-1282 is impractical and costly to businesses. First, systems don't support it. When a retailer makes a sale using a customer's electronic payment card, the systems that process the transaction recognize only the final purchase amount. U.S. infrastructure does not support a system where multiple amounts (taxes) can be excluded from the interchange fee, such as local sales taxes that vary. Because these systems don't currently exist, the prohibitions required in this bill would be cost prohibitive for businesses, large and small. Businesses will

need specialized terminals and software to itemize and communicate segmented data to the card networks at the time of sale. Ultimately, the costs of a new system could fall onto the consumers in Colorado.

If the bill passes, there are two options for merchants to comply. The first one would be to require consumers to pay in two transactions – one for the sale of the underlying product or service, and another for the tax portion of the sale. Customers would pay for their goods with their preferred payment method. Then the customer would pay sales tax via cash or check. Cash or check would be required as there is no unified system to implement these suggested changes. This would drastically change the consumer experience, and the amount of sales tax consumers pay every time they are out shopping will suddenly be under a microscope.

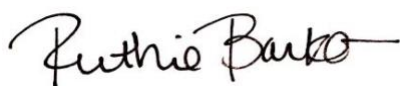
A second option is that merchants will have to send payment companies every detail of a person's shopping habits. The global payment system is designed so that payment networks need very little of a consumer's personal information to process a payment. Interchange legislation could fundamentally change that, requiring the tracking of every detail of a person's shopping habits: where you shop, exactly what you buy, how often you buy it, how much you spend.

Today, the only information transmitted from merchants to payment companies is how a customer is paying and the total amount of the transaction. Under this mandate, to calculate and refund sales tax expenses, which differ by county, city, and item, merchants would also need to send payment companies the name of the store, the exact location of the store, and exact items purchased. This option is in direct conflict with data minimization standards, or the collection of only necessary information is used to complete a transaction safely and accurately.

Dozens of bills have been introduced on this issue and none have been enacted into law due the compliance challenges and cost, with the exception of Illinois HB 4951. As part of a last-minute budget deal, the Illinois General Assembly passed this measure as part of an omnibus proposal, and the measure is currently being challenged in court.

HB25-1282 will lead to cost increases for businesses and consumers and create compliance hurdles that will be difficult to overcome. For the above stated reasons, TechNet respectfully asks that the Committee does not advance this bill. If you have any questions, please contact me at rbarko@technet.org.

Best regards,



Ruthie Barko
Executive Director, Colorado & Central U.S.
TechNet

Senate Judiciary Committee
HB 1282 – Swipe Fee Fairness and Consumer Safeguards Act
April 14, 2025

Madam Chair, Members of the Committee,

My name is Maggie Melin, owner of Westside Convenience Store in Greeley and NFIB member.

I want to thank the sponsors for introducing HB 1282, the Swipe Fee Fairness and Consumer Safeguards Act and their recognition of its importance to small business.

I am here today in strong support of the bill.

The provisions in HB 1282 to eliminate swipe fees on taxes and tips, and to prohibit card networks from fixing the fees they charge would be very impactful for my small business in Greeley.

Credit card processing fees cost my small business \$114,000 last year. Right along with my property taxes, personal property taxes, income taxes and massive increases in my cost of insurance, utilities, fuel and minimum wage increases, swipe fees are driving my business to the brink.

Not only are the fees I pay to payment card networks among my highest expenses, I do not even have the option to pick my credit card processor as my contract with Shell Oil dictates the processor.

This legislation will have a significant positive impact on my business. The lower expense will allow me to shoulder these other high costs of operating a business in Colorado, help prevent increasing costs to my customers and ultimately keep my doors open so I can sustain my business and continue to provide goods and services to my community which I have thoroughly enjoyed for 17 years and hope to for many years to come.

Thank you for allowing me to testify and I urge your support of this important legislation to businesses like mine.